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GST No.: 06AAACA6990Q1Z2

November 6, 2026

The Secretary, BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001.	The Secretary, National Stock Exchange of India Ltd, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051

Sub: Transcript of Analyst/ Investor Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30(6) and 46(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that a Conference Call for the analysts and investors to discuss the financial and operational performance of the Company for Q2 FY27 was held on November 5, 2026.

Please find attached herewith the transcript of the aforesaid call. The same has also been placed on the website of the Company IR Presentations | Apollo Tyres Corporate.

This is for your information and records.

Thanking You,

Yours Sincerely,

For Apollo Tyres Ltd

SEEMA THAPAR Digitally signed by SEEMA THAPAR Date: 2026.11.06 17:59:08 +05'30'

Seema Thapar
Company Secretary & Compliance Officer

Apollo Tyres Limited
Q2 FY27 Earnings Conference Call
November 05, 2026

Joseph George: Good afternoon. On behalf of IIFL Capital, I welcome you all for the 2Q FY '27 Results Conference Call of Apollo Tyres Limited. From the management, we have with us today Mr. Ravi Kumar Shingari, Chief Financial Officer and Himanshu Sharma, Head, Investor Relations and Budgeting.

I would now like to hand over the call to Mr. Ravi Kumar Shingari for his opening remarks.

Over to you, Ravi.

Ravi Kumar Shingari: Thanks, Joseph. Good morning, everyone, and thank you for joining us today. I would like to welcome you all to the Apollo Tyres Quarter Two FY ’27 Earnings Call.

Before I begin, let me say that I'm honored to take the role of Chief Financial Officer at Apollo Tyres. I would like to thank Chairman Sir, Neeraj, the Board and the leadership team for the trust they have placed in me.

Apollo Tyres has built a strong foundation over the years and I look forward to working closely with the team as we continue to enhance performance, strengthen financial discipline and create long-term value for our shareholders and stakeholders.

Unfortunately, Neeraj could not join us today for the call due to some unexpected circumstances, but on his behalf, and on behalf of Apollo Tyres, I would like to wish everyone a very Happy Diwali.

Coming to the performance, the second quarter was characterized by a challenging operating environment, marked by persistent geopolitical

uncertainty and significant inflation in the key raw material cost. Despite these headwinds, I am very happy to say that the busy delivered a resilient performance and continued to execute on its strategic priorities.

On a consolidated basis, our revenue grew over 16% year-on-year to Rs. INR 79.7 billion, while EBITDA stood at INR 8.6 billion, translating into an EBITDA margin of 10.7%. More importantly, this was our strongest year-on-year revenue growth in the last 16 quarters, reflecting the strength of our brands, customer relationships and market positioning. While profitability was impacted by elevated raw material cost, disciplined cost management and operating efficiencies helped partially offset the inflationary pressures.

While I'll come back to the results in a little while, let me take this opportunity to talk about the tangible progress we are making across our strategic priorities, reinforcing the long-term foundations of the business. On the innovation front, we further strengthened our product portfolio through new approvals and engagements with leading OEMs including BMW, Mercedes-Benz, Mahindra and Tata Motors. In digital transformation, we are increasingly leveraging artificial intelligence and advanced analytics to improve productivity, quality and operational reliability.

During the quarter, we successfully completed the SAP S/4HANA implementation for our US business and now we are on our way to implement the same for the European and the Indian operations.

On brand building, we continue to invest behind both Apollo and Vredestein, driving consumer engagement across our key markets. In India, our BCCI led campaigns significantly expanded our rural outreach, while in Europe, targeted partnerships and premium positioning initiatives further strengthened the Vredestein brand.

Equally importantly, we remain focused on strengthening organizational capability. During the quarter, our Chennai plant was recognized with the CII EFI National Excellence Award for Employee Relations, reflecting our commitment to building a highly engaged and collaborative workforce. Sustainability remains deeply embedded within our long-term strategy. We continue to strengthen our ESG framework and are encouraged by the recognition received from leading ESG rating agencies. Operationally, our AP plant and our Kerala plant achieved Gold Level Zero Waste to Landfill Certification, further supporting our 2030 sustainability ambitions.

Coming back to the results, let me briefly touch upon India operations to start with. India operations revenue increased by nearly 26% year-on-year to INR 59.2 billion, representing an acceleration over the growth delivered in the first quarter. The performance was broad-based across both Replacement and OEM channels with volume growth and pricing contributing almost equally to the top-line expansion.

Profitability remained affected by the sharp escalation in raw material cost. India EBITDA stood at INR 6.6 billion with a margin of 11.1% compared to 15.3% in the corresponding period last year. However, I believe the more important takeaway from the first half year is the company's response to this inflation cycle. Since April 2026, raw material costs have increased by approximately 25%, making this one of the steepest and fastest cost inflation episodes we have experienced in many years.

In response, Apollo has implemented pricing actions of up to 15% in the Replacement segment alongside meaningful price increases in the OEM business. While raw material prices will eventually stabilize and may even soften over a period of time, our objective is to ensure that the enhanced pricing discipline demonstrated during this cycle becomes a permanent feature of the business. We strongly believe that this will contribute to a fundamentally stronger, more resilient and more profitable business model over the long term.

Looking ahead, we expect demand conditions in India to remain supportive. While reported volume growth may moderate over the coming quarters due

to higher base, revenue momentum should continue to benefit from the pricing actions implemented since April.

On margins, although the direction of recovery is clear, the price timing actually will depend on the trajectory of commodity markets and geopolitical developments. Our focus will remain on balancing growth with profitability while maintaining disciplined execution.

Turning to Europe, the operating environment remained challenging during the quarter. Revenue declined by 12% year-on-year to EUR 157 million, primarily reflecting weakness in the truck and agriculture segments, which was impacted by temporary supply disruptions as a fallout of our Enschede plant closure.

But despite these challenges, there were encouraging signs beneath the surface. Our PCR business continued to gain market share despite subdued demand conditions, reinforcing the strength of a brand and product proposition.

EBITDA margins for the European operations for the quarter stood at 10.3%. While our margin recovery trajectory in Europe has taken longer than initially anticipated, that has been due to the combination of market softness and transition-related challenges, but our strategic rationale remains unchanged. The actions we are undertaking today are intended to create a structurally more competitive and financially stronger European business.

Our immediate priorities remain clear, completing the manufacturing transition, stabilizing the supply chain and enhancing the cost competitiveness. Over the medium term, we remain committed to building a European business capable of delivering high teen operating margins.

Moving on to the balance sheet, as we communicated previously, we continue to invest behind our strategic growth priorities. Consolidated net capital expenditure during the first half of FY ‘27 was around INR 15 billion. This is broadly in line with our full year plans. What is particularly encouraging is the strength of a financial position despite this investment cycle. Through disciplined balance sheet management over the past several years, we have significantly enhanced our financial flexibility. As on 30th September 2026, consolidated net debt to EBITDA stood at just 0.9 times, providing substantial capacity to fund future growth while maintaining a prudent capital structure.

Even under our ongoing investment plans, we are fairly confident that leverages will stay comfortably within our targeted range. This financial strength gives us the ability to continue investing in capacity expansion, digital transformation, technology, product development without compromising the balance sheet resilience.

To conclude, while geopolitical developments and commodity volatility continue to create uncertainty in the near term, the underlying fundamentals of a business have continued to strengthen. Over the past several years, we have invested meaningfully in expanding and optimizing our manufacturing footprint, enhancing operational capabilities, strengthening our brands, and building digital and technology platforms that improve decision-making and productivity across the organization.

These investments are now increasingly translating into stronger competitive positioning and improved resilience across market cycles. We remain highly confident about the long-term opportunity ahead of us. In India, we are well positioned to benefit from a growing tyre market, improving product mix, and a more rational pricing strategy. In Europe, our focus remains on unlocking the full potential of the business through improved competitiveness and a stronger operating model, enabling us leverage a significantly large profit pool. Supported by a healthy balance sheet, improved business fundamentals, and disciplined execution, we believe that Apollo Tyres is well positioned to deliver sustainable growth and long-term value creation for our stakeholders.

Thank you for your time and your continued support. With that, we would like to be very happy to take your questions.

Joseph George: Thank you, Ravi. This is Joseph again. Let's start the Q&A session. Participants who have a question, please use the Raise Hand icon to ask a question. The first question is from the line of Raghunandan. Raghu, please unmute yourself and ask your question.

Raghu Nandhan: Thank you for the opportunity. Wishing a very happy Diwali and best wishes to Ravi and Himanshu for all the milestones ahead. Thanks for the opening remarks. Firstly, if you can talk about the volume performance, in opening remarks you mentioned half of the growth came from volume, so approximately 13%. Within that, how is the performance in OEM, Replacement and export segments? And also, within Replacement, if you can talk about how various categories are doing, that will give a sense what to expect ahead?

Ravi Kumar Shingari: Sure Raghu, and thank you so much for your kind wishes, Raghu. Look forward to your support as we move forward. So, you know, in terms of volume performance, OEMs actually led the pack, the OEM channel led the pack for us in this quarter on a Y-on-Y basis. So, we, in OEM we witnessed around about 25% plus growth in volume followed by Replacement which was in low double digits and exports wherein it was largely flattish.

Moving into Replacement, I think the pack was there led by V-Strom, while the numbers are fairly small but the volume growth was maximum seen in terms of percentage in the two-wheeler segment which was again above around 25%, 26% and followed by the Truck and the PCR segment which both of them were while PCR exports did not deliver strong volume growth but as far as India Replacement is concerned both PCR and Truck. PCR in fact gave us about mid-teens and Truck was high single digits.

Raghu Nandhan: Yeah, thank you for giving that color. And on the commodity, extremely challenging times but hopefully last one week the crude prices have started to correct and that gives some hope for future. Firstly, for Q2, if you can share how much was the increase in raw-mat basket and for various commodities like natural rubber, synthetic rubber, how much was the prices? And then for Q3, what is the approximate increase expected on the commodity basket and the price hike plans which you have?

Ravi Kumar Shingari: So, Raghu, on the Q2 raw-mat increase, now we already witnessed a massive increase in the first quarter so from there we again saw an upside but if I look at, if I compare Q2 FY '27 to Q2 FY '26 the overall basket cost went up by approximately 25% wherein natural rubber touched unprecedented numbers and it continues to be on the rise. As we speak, it has already touched the INR 300 mark in India. So compared to last year, natural rubber grew, the cost went up by almost 25%, 26%. And then crude led derivatives all witnessed substantial increase between 28%, to 35% across various segments. Steel cord was around low double digits. And going forward, we are expecting that from quarter two to quarter three, the total basket cost may move up around mid to high single digits.

And as you would have seen that in the first half of the year, we have been taking fairly timely pricing actions, which has been a big differentiator in this financial year. Going forward in the quarter three and quarter four as well, our teams are all geared up and they have already, some increases have been announced already in the month of October. And more importantly, we have also started now getting the price impact increases from our OEMs as well. So, all in all, I think there will be a pressure on cost, but we are confident that our commercial team will be able to take timely pricing actions.

Raghu Nandhan: Yeah, thank you for that. Just a last question. On the Europe business, can you share how was the Reifen performance for the quarter, revenue and EBITDA?

Ravi Kumar Shingari: So Reifen is a fairly stable business. And by and large, it has remained at the same levels as what we would have seen in the past years.

But coming specifically to quarter two, our margins, our EBITDA margins have been, and you also have to understand there is a bit of seasonality in that business. So, quarter two margins are slightly subdued, which you will see changing in quarter three. But we, you know, as I said, the revenue was flattish, and EBITDA margins, by and large remained, I would say, at a similar level, slightly lower than what we did last year due to the cost pressures that we are seeing. But it is important to look at Reifen business from a seasonality perspective, as I mentioned, and quarter three is when we'll be able to see an uptick in the EBITDA margins there.

Raghu Nandhan: Thank you, sir, and wishing all the best for future.

Ravi Kumar Shingari: Thank you, Raghu.

Joseph George: We move on to the next participant. The next question is in the line of Siddhartha Bera. Siddhartha, can you unmute yourself and go ahead, please?

Siddhartha Bera: Yeah. Hi, sir. Thanks for the opportunity and Diwali festive greetings to the team. Sir, first question is on the price hikes, can you quantify how much are you planning to sort of take to improve the sort of gross margins in the coming quarters given the cost pressure, anything which you have taken in maybe September or October which should sort of benefit in quarter three, so some thoughts there will be helpful.

Ravi Kumar Shingari: So, Siddhartha, thank you so much for your wishes. See, from a pricing action, if you would see that broadly the raw material push was about 25% in the first half and we, to compensate and maintain the margins at similar levels, we would have needed around, you know, 16% to 17% price increase. So, till now we have been able to across various categories on an average between 11% to 13% price increases.

Now, you know, as you know that the nature of the industry is such that the pricing actions can't be taken at the same pace at which you see the RM moving, so it will be gradual increases that we take across categories. There are some announcements that we have done around October, but it will be in different categories somewhere in the range of 1% to 2% and that's typically that's how pricing actions are taken but there is a sustained plan and we have to watch the RM carefully at the same time we have to be cognizant of the market scenario.

So, there are planned increases which may come in December or January depending upon how the RM is moving and how the competition or how the market is responding. And yeah, so till October end, we would have taken across as I said, across various categories between 13% to 15% and which is more or less in line with the industry trend. In some cases, we are leading the price increases and in some cases other players are doing it.

Siddhartha Bera: Got it, sir. And sir, second question is on the Europe side. I mean, we have continued to see sort of on the revenue side, a lot of weakness in the last few quarters. Some thoughts there, I mean, is it more company specific where because of the transition we could not supply or is the demand only so weak and how do you see the outlook in the second half or maybe next year for the business?

Ravi Kumar Shingari: So, Europe impact is I think a combination of two, both factors as you rightly pointed out. There is market has slowed down. So, there is that impact of slowness which we see in the larger economy and also you know our transition from Enschede and moving that supply chain to our different plants. This was actually an expected impact that when we were doing our budgets as well there will be a bit of impact on the sales but, and one was the whole availability and supply but the second also is a domestic supply chain management which we are now putting in place as we shut down our Netherlands plant.

Going forward, quarter three onwards as and as we all know that quarter three again is our stronger quarter. Quarter three onwards we are expected to meet our budgets and probably get the revenue in line and the volumes

in line but you know coming back to the quarter two as just to share some data points while you see the overall revenue going down but if you deep dive into categories so in the PCLT category we actually gained market share wherein the market was slow but in the PCLT category we grew 5% YoY and similarly in the Apollo Tyre PCLT also we saw very, very high growth volumes or probably northwards of 50%. So those two areas actually propelled the volume growth but we saw decline in the agri and the TBR segment largely due to a combination of the supply chain reorganization and transitioning of our manufacturing from Enschede and Hungary to India.

Siddhartha Bera: Understood sir. Sir, last question on the working capital side we did see a steep contraction in the first half. Do you see some normalization coming through in the second half or should we expect some of those challenges which are impacting that to continue for some time now?

Ravi Kumar Shingari: So, you know, so first half I think a large impact was also due to the payouts related to the plant shutdown. Now that is behind us, so as you rightly indicated the second half should see stable working capital norms and also the seasonality aspect in Europe will come in and the cash flows tend to get better in the second half of the year. So, combination of everything we will see a more stable working capital in the second half of the year.

Siddhartha Bera: Got it, sir. Thanks a lot. I'll come back in the queue.

Joseph George: The next question is from Arvind Sharma. Arvind, please unmute yourself and go ahead.

Arvind Sharma: Hi, good morning. Can you hear me?

Ravi Kumar Shingari: Yes, Arvind, morning. We can hear you.

Arvind Sharma: Yeah. Hi good morning, a very good morning. Thank you for taking my question. Two questions from my side. First of all, when we look at your 2Q numbers there was a very strong control on the other expenses or the operational cost. So, what was the driver behind it, including employee cost and how sustainable it is?

Ravi Kumar Shingari: So, Arvind, as we started seeing the cost push around RM, there is a strategy meeting that we do almost every week. And the focus areas are very clear, what pricing actions we need to take to maintain the margins and what kind of bad costs we can cut down or the costs that can be shifted to a future date. So, I think there has been a very strong discipline around our A&P budgets. And we have now a collaboration with BCCI. But anything beyond that, we have been really monitoring very closely. And as we saw impact on RMB, on a timely basis, we kept on taking those cuts. We have kept a very strong check on the manageable costs around travel, etc.

So wherever possible, wherever things have been in control, we can't do much about freight because that's, again, being driven in a different direction. But by and large, the controllable expenses have been kept in check. And as far as the sustainability is concerned, I think you would have seen in the last few quarters that cost discipline has now become a very integral part of our operations. And to an extent, the whole leadership is really monitoring this almost on a fortnightly basis. So that's the kind of rigor and discipline that has been brought around the cost controls.

Arvind Sharma: Got it. Thanks so much. My second question would be on the India pricing environment. You've alluded to some price hikes undertaken to pass on the cost pressures. But where do you think is the pricing environment right now? And as a colleague, this question can talk a bit about the competitive landscape in India, especially in the TBR segment.

Ravi Kumar Shingari: So, as I mentioned earlier that our attempt and endeavor is to ensure that the steady margins are a regular feature. But at the pace at which RM has

moved, it is not really to match it exactly, there will be a timing gap. And there is that amount of price increases that the market conditions dictate, which we can take. So, by now, I already indicated that we have taken price increases within the range of 13% to 15% across various categories.

But specifically on TBR, we have been the market leaders on price increases and the timing of it. And it is, again, there we are probably leading the whole price increase strategy we are. Till now in TBR, we have taken around between 13% to 14% price increase. What is more important to understand is that this while this was in Replacement, we have also managed to get some reasonable price increase or similar price increases with the OEMs as well, wherein we all know that it is not a formula linked pricing but despite that the teams have managed to implement these price increases across OEMs. So therefore, you know around TBR this is the actions that have already been taken. Have I answered your question Arvind?

Arvind Sharma: Yeah, very clear. Thank you so much.

Joseph George: All right. The next participant we have is Rishi Vora. Rishi, go ahead and unmute yourself.

Rishi Vora: Yeah, hi. Thank you for the opportunity. Sorry, I might have missed but have you guided for what would be the quantum of commodity inflation in third quarter at this point in time?

Ravi Kumar Shingari: Yeah, Rishi, so we talked about it but we are basically expecting around mid to high single digit cost push on the entire basket from quarter two to quarter three. Rishi, am I audible? Did I answer your question?

Rishi Vora: Yeah, yeah, very clear. My second question was on the pricing side, right? So obviously we would have taken pricing during the course of second quarter and maybe not all the quantum would have gotten realized during this quarter. So, what is like with the price increases which we have already

taken, what is the price pass through that will happen in third quarter according to whether it will be 4%, 5% that will come through or lower or higher just if you could say like what we have realized in 2Q and what is remaining in 3Q?

Ravi Kumar Shingari: You know, so I think Rishi, it's important to understand that we are in an inflationary cycle as far as the raw materials are concerned. So, while we are trying to take timely pricing action and as I indicated that we are expecting further cost push, but you know the volatility is quite high and you rightly mentioned that a large part of the price increases would have been taken at different points of time. So, in the quarter three, the range that I mentioned between 13% to 15%, we will probably see the entire impact of that full price increase coming in. How much of that compensates the RM cost portion and what kind of further pricing action we take in the month of December or November, you know, it will be probably more clear as we move towards the end of the quarter. But as I said, our endeavor and attempt is to ensure that we maintain healthy margins and that has always been our guiding principle on the pricing action.

Rishi Vora: Understood. In OEMs, how much of the price increase which you would have gotten? I assume it's a formula linked or generally it's negotiations?

Ravi Kumar Shingari: So, it's largely formula linked. So that of course comes with a lag of one quarter, but there were some OEMs wherein it was not formula linked. And as I mentioned, we have also managed through negotiations get an appropriate price increase to maintain the cost, to take care of the cost increase on raw material.

Rishi Vora: Understood. And just last question on the volume growth expectations, right, in the domestic market. First half, you would have grown by low double digits, you know, at least now base catches up, but do you expect the industry to at least, you know, continue to grow at mid-single digit high single digit volume run rate or is there any different to at least what you are seeing at this point in time on ground?

Ravi Kumar Shingari: So, I would like to take you back last year and if you will recall quarter three of last year was when the GST changes happened and for us BCCI came in. So, we already are sitting on a now an inflated base from last year. So, in the first and the second quarter, we have seen very high, I mean almost the mid-teens volume growth in the India operations across categories, but in quarter three since we are already starting from a higher base, the large part of the revenue growth will come from pricing actions. Of course, we will see volume upsides as well. Our expectation is it should be between mid to high single digits as compared to last year.

Rishi Vora: Any guidance on exports given that it has been volatile and obviously the situation is also such, but any guidance on when you are seeing the exports recovery?

Ravi Kumar Shingari: Difficult to say at this stage, you know, because you can see the volatility is quite beyond control. And as we see international markets, our exports are all around, you know to Europe to America and even to the Middle East, Southeast Asia. So, I think it will be very difficult to say but as of now we are being very careful and conservative on the exports because we see a strong demand momentum in the domestic market. Let's see what quarter three does as far as the export conditions are concerned.

Rishi Vora: Understood. All the best team. Thank you.

Joseph George: Next question is from Vijay Pandey. Go ahead.

Vijay Pandey: Hi, can you hear me?

Ravi Kumar Shingari: Yes, Vijay we can hear you.

Vijay Pandey: Sir, firstly on the European demand. So, just want to understand how much of the restructuring is over and what is left? When can we start? Like, can we expect normal operations to resume from quarter three or quarter four? And the weakness in the agri, the supply constraint on the agri side, that will remain for entire of this year and from next year, are you expected to continue for the next year also? Because I think we have a stopped production for agri tyres there, right? So, if you can just highlight the nuances being played at the European business.

Ravi Kumar Shingari: So, thanks, Vijay. So, Vijay, in Europe, as we all know, you know, too, we had shut down our Enschede plant and that was basically to ensure that we kind of move away from a high cost manufacturing location. Now, alongside what was also happening was we also relocated our TBR manufacturing facility from Hungary to AP, our India plant. Plant operations in Enschede stopped end of first quarter. And as we speak, there is a team on the ground which is now working towards the whole dismantling of equipments, sale, etc., which will take its own two to three quarters to bring it to a full closure.

As far as the operations are concerned, by and large, we should be ready with the supply, with the manufacturing facilities in the next two quarters. And hopefully from next financial year, we should see largely stable operations in Europe and coming back to our normalized margin that we used to always have in Europe. And in the first two quarters, there is a massive focus on getting the whole supply chain in place. We are in the process of actively doing our reorganization around the warehouses in different parts of Europe and also changing our business model. And coupled with our whole S4/HANA implementation in Europe, all that is expected to get over in this financial year or maybe by quarter one of next financial year. And hopefully by next year, you will see largely stable operations in Europe.

Vijay Pandey: Okay. Sir, secondly, on the other expenses on the consolidated side, so generally fourth quarter has a higher lumpsum increase. Last year, it was also there. So should we expect that to happen this year, given the RM, given the margin and the RM advents going on or this, because we have maintained very well in the first two quarters and third quarter, we also

should be able to maintain. Just want to understand should this increase in the fourth quarter back to normal level or how should we look at it?

Ravi Kumar Shingari: Vijay, you're talking about the other expenses, right?

Vijay Pandey: Yes.

Ravi Kumar Shingari: Very difficult to say, you know, because see this is a dynamic situation right now and we are taking actions as and when the situations are evolving. I already mentioned that the leadership meets every fortnight to really take real-time decisions. And if it requires us to be even more stricter, and vigilant in the fourth quarter, we will do that. But, you know, it's very difficult to really comment. It will all be driven by how the other cost push are working, what kind of demand we are seeing. But focus is always going to be to ensure that the operations are stable and we are able to capitalize on the demand momentum that we see in India.

Vijay Pandey: Okay. Sir, secondly, on the debt side, so we have taken a gross debt of around INR 1,500 crores this year in first half. And I think you also have mentioned that INR 1,250 crores is from the non-convertible debentures. So, of which 8.5% is the interest rate. So, how do you think the interest rate moving forward, both in the terms of the P&L and the cash, because some part of it will be, I don't think you are making the entire payment of interest in one go, right? Or correct me if I'm wrong here.

Ravi Kumar Shingari: So, Vijay, on this, I think we can probably, you can connect with the IR team offline and they can give you more granular details. But, you know, from my side, I want to just kind of emphasize and highlight that we are at a very comfortable leverage situation. Our net debt to EBITDA at a consol is below one with this additional debt as well. And even with all the expansion plans that we have announced, we are confident that we will remain in a workable limit on net debt to EBITDA. But on the granular details, you can get in touch with the IR team. They'll be happy to share the details with you.

Vijay Pandey: And sir, this level of the, this debt should be able to capture the upcoming CapEx or we will need further debt going forward? Like, was it related to working capital or it is also related to the CapEx coming forward?

Ravi Kumar Shingari: So, it's a combination of both, you know, and we will, we may see more debt coming in as we embark on our expansion plans that we have announced. But again, I like to emphasize that the whole leverage ratios remain look very comfortable. So, we are really not very, we are in a very, very comfortable position.

Vijay Pandey: Okay, sir. Thank you and all the best.

Ravi Kumar Shingari: Thank you.

Joseph George: The next question is from Amyn Pirani. Ameen, please go ahead.

Amyn Pirani: Hi. Can you hear me?

Ravi Kumar Shingari: Yes, Amyn, we can.

Amyn Pirani: Yes. Hi, Ravi. First of all, congratulations on the new role and hopefully we will interact more in the future. My first question is more of a medium term one and then I have a few questions on the results. First of all, if I look at your ROCE, we are about to, or we have embarked on a slightly large CapEx cycle. Net debt to EBITDA is low, but we've had a deleveraging cycle and net debt will move up a bit now. So how should we think about this, because at one point of time you had a mid-teens kind of a target and obviously, you know, the external environment was not favorable. So how should we think about how ROCEs will move, because as you rightly said,

you know, we are sitting on a high volume growth base, CapEx is increasing. So how could we look at this from, say, the next 12 to 24 months?

Ravi Kumar Shingari: Thanks, Amyn, and thanks for your wishes. I look forward to meeting you soon. You know, so I think we have seen in the results you would have seen the demand coming through. At the same time, our capacities are almost 85%, 90% in all across the plants. So, I think it's very important to keep that demand momentum in consideration as we look at our expansion, CapEx expansion, because otherwise, if we don't take timely action, we will end up losing market share. So, for us, you know, it's always a very tricky conundrum and we have to just balance it out with the right amount of CapEx.

Now, ROCEs, of course, will, as we go through the CapEx cycle, there may be a short-term impact on ROCE, but again, at a stable state, we will, as we have guided in the past, we always want to target a mid-teem ROCE, which will be our stable state of operations. And as I said, we prioritize right now the growth story and once we are able to capitalize on that growth story, we will see the ROCEs coming back.

Amyn Pirani: Okay. Great. That's good to know. Secondly, just, you know, some bookkeeping questions on the results. So, in Europe, do we still have any costs related to the Enschede plant still pending or from third quarter, it will only be the Hungary plant on which our spends will be going?

Ravi Kumar Shingari: So. there are two parts to it, Amyn, one is that at an operational level, there will be no plant operating costs as such because that stopped, and Hungary will be the only operating plant there. But we may, for next few quarters we may see some bit of cost coming in which may be incurred for just dismantling and moving the equipments out. So those kind of costs may keep coming in trickle but we don't expect them to be a significant amount. In this quarter itself if you would have seen there is around EUR 2.3 million exceptional item in the European operations which was largely as a fallout of some bit of employees that were remaining in a different legal entity and that also now has been taken into the books. So by and large I

think we are through with the large part of the cost which we have already taken into our accounts. There will be some bit of cleanup cost that you will see coming up in Enschede.

Amyn Pirani: Okay. And since third quarter is generally a seasonally strong quarter especially on the point of your winter tyres and specialty tyres, is Hungary now fully equipped, because I think some of the high performance tyres were being supplied from Enschede in the past. So, is now Hungary fully equipped to take care of that? I am asking this in the context that is it possible that this third quarter you may miss out on some of those demands because you were still in transition and Hungary is not set up for that. So, some color there would be helpful.

Ravi Kumar Shingari: Yeah, so I think see a significant part of that was already being catered and third quarter is largely the time for winter tyres and we had already because PCR is one of the most profitable segments in Europe and therefore that plant was already put into place between India and Hungary. The smaller sizes will be supplied from India and the high-end tyres will be done from Hungary. So that plan is in motion. Going forward, I think what is important is to take care of the OHT and the agri-supply which will be catered from these plants. I think that is, so as I already mentioned in quarter two we have seen a volume increase in the PCT Vredestein but where we saw volume loss was largely agri and OHT. So that is something which we will now, we will start seeing stabilizing from next year.

Amyn Pirani: Okay. Okay. Great. Thanks for that.

Joseph George: The next question is from Basudeb Banerjee. Basudeb, please go ahead. Basudeb, you need to unmute yourself and go ahead.

Basudeb Banerjee: Yeah, hi all. Am I audible?

Ravi Kumar Shingari: Yes, Basu, you are audible.

Basudeb Banerjee: Yeah, thanks. Just to understand, as you said earlier in the call, during Q2 YoY raw mat basket is up 25% and overall cumulative price hike has been somewhere around 12%, 13% and over and above that the raw-mat basket is up somewhere around 8% in Q3 over Q2 and in Q3 till October there is a blended price hike of 2-odd-percentage over and above the 12%, 13% what have happened. So, is that the right way to understand?

Ravi Kumar Shingari: Basu, actually you know put it very simplistically, but we will have to do it in a different way but I would again say that on this detailing it will be useful if we connect offline and we can take you through the entire changes that have happened at that granular level.

Basudeb Banerjee: So basically, what I was trying to understand that consumers have taken a massive price hike as you rightly said and despite that Replacement is growing at double digit and now at 8% for the raw-mat basket hike will ask for almost 5%, 6% price hike where there is a 2% price hike which mathematically implies December quarter further 300 bps, 400 bps of gross margin risk. That being on one side being pure mathematics, but on the other side as whatever is the movement in Brent crude price you know what has happened in past couple of days and the abnormal price of natural rubber which easily if it follows Brent crude can correct 30%, 40% also. So, basically I was trying to understand that which quarter one should try to see as the peak of the raw-mat basket and post that if things remaining status quo as today's price directionally your gross margin should start reversing, going by past precedence that you don't cut prices in the replacement market.

Ravi Kumar Shingari: So, Basu, when we did our second quarter earnings call our expectation was that quarter three we should start seeing RM stabilizing, but you know we are now as we are moving towards quarter three we see a single digit high, single digit increase coming in quarter three as well. So, you know I mentioned already it's a very volatile market which is a lot of things at least on the cost side are not in our control as far as RM is concerned but what we have managed to do and you know I would say the industry pricing

discipline has been very, very at different rigor in this first half and therefore you see across industry there has been successful price increases. So that is something which is in our control which depending on the market situation we will keep taking timely action and of course the other expenses is where we are going to put a lot of rigor in controlling that.

What, how the RM behaves in quarter three and quarter four and when it starts stabilizing. As of now our expectation is that we should see it peaking towards the end of the year and from next year onwards it should start stabilizing. And this is again subject to all the volatilities that you see and things changing on a daily basis. So, I would like to kind of give that caveat to say how the geopolitical situation emerged, but assuming that that stabilizes, I would say from next year onwards we should start seeing RM to kind of start tapering down.

Basudeb Banerjee: No, no, surely that's quite helpful. Yeah. So, basically what you mean is assuming the recent downward bias of Brent, if it directionally remains the same, whatever high cost inventory you have, what is the change in contract prices. So maybe especially from the next fiscal, the benefit at margin level one can expect and next two quarters it's just the stabilization phase.

Himanshu Sharma: Basudeb, Himanshu this side. Just one thing to highlight, it is kind of crystal ball gazing, but historically, we peak-out, our margins peak out or start correcting as RM starts plateauing and we peak-out as it starts correcting. One thing which I would want to highlight is compared to our last previous cycles, we've been able to maintain or manage our expenses and balance sheet in a much better manner.

And that is why the lowest point historically if you go back a few years, at the height of RM increase or height of where it used to top, our margins used to get down to single digit margins. We've been able to maintain our margins in a much better position. Our endeavor going forward will be, we'll continue to maintain and optimize costs and grow and invest in growth. But crystal ball gazing and saying which quarter exactly it will peak out will be slightly difficult for us to comment.

Basudeb Banerjee: No, no. Definitely not exact quarter, what about directionally, but as you rightly said, in earlier down cycles margins of India business used to be as low as 7%, 8%. And now despite all these things, it is 11%. So definitely we'll be wishing to see with the price hikes and the commodity basket reversal, how quickly we go back to 16%, which anyways will take care of the cash flows and ROC questions as in the past. Thanks.

Himanshu Sharma: Thank you.

Joseph George: Thank you. Due to time constraints, we'll take that as the last question today. On behalf of IIFL Capital, I thank you all for attending this call. Have a good day.

Himanshu Sharma: Thank you.

Ravi Kumar Shingari: Thank you everyone. Thank you for joining today.